other mechanisms to allow firms the opportunity to earn their access revenues in a competitive environment.

IV. INITIAL SUPPORT SHOULD BE DEVELOPED BY USING A SLIDING SCALE OF BENCHMARKS AND FEDERAL SUPPORT SHOULD BE SUFFICIENT TO ADDRESS POLICY OBJECTIVES.

A. The Initial Level Of Federal Support Should Be Based On A Sliding Scale.

GTE proposes that the calculation of the initial level of universal service support should be based on a sliding scale of benchmarks and percentages. The calculation adopted in the May 1997 plan, which would set federal support at 25% of the amount above a single benchmark, is a special case of such a calculation. As GTE has shown above, this particular formula does not result in sufficient Federal support. More generally, a plan with a single benchmark is not amenable to achieving all of the policy objectives outlined above. This is because the Commission must be concerned, not only with the overall size of the Federal fund, but also with the distribution of the support amounts among the states.

US West proposed a plan which incorporates a second benchmark. The Federal plan would be responsible for all support above an upper benchmark, and the states would be responsible for all support up to a lower benchmark. The amount between the two benchmarks would be split between the Federal and state plans. As an example, US West has suggested a plan with a lower benchmark of $30, and an upper benchmark of $50, and a Federal/state split of 25%/75% in between. GTE believes that this approach is more promising than the single-benchmark structure; in its earlier

comments, GTE has also proposed a two-benchmark plan.[34] The addition to the second benchmark, and the Federal/state split between the two benchmarks, provides the plan with additional degrees of freedom, which in turn will allow the Commission to more accurately target support to meet its policy goals. The second benchmark provides a simple mechanism for supporting high-cost states or areas where rate rebalancing would yield competitively unsustainable, unaffordable rates that threaten universal service.

More generally, the US West proposal is an example of a sliding scale structure, which calculates the support as a series of percentages between escalating benchmarks. GTE suggests that the Commission should examine the results of alternative forms of this structure, to determine, first, what benchmarks and percentages are needed to generate the total amount of support required; the results of the calculation should always be compared with the objectives set forth above. *Second*, the Commission should evaluate how many benchmarks are required, within the sliding scale framework, to achieve the desired distribution of the support amounts among the states. This is necessary to direct support to those states where it is most needed to replace intrastate implicit support. Careful targeting will also be needed to provide an amount in each study area sufficient to replace the implicit support generated in that area today by interstate access rates.

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[34] See, for example, GTE's comments on the Commission's Report to Congress, January 26, 1998, at 31-32.

B. The Choice Of Benchmarks And Percentages Should Be Made After The Cost Model And Inputs Are Established.

The Commission should follow a reasonable sequence in developing its process for calculating Federal universal service support. The cost model and its inputs should be chosen first; *then* the final choice of benchmarks and percentages can be made. If the Commission attempts to designate the benchmarks and percentages now, before the cost model and its inputs are chosen, it will not have any means of assuring itself that the results of its choices will be reasonable. There are no benchmarks and percentages which are correct a priori; ultimately the correct parameters for the calculation are the ones which produce the correct result, and the correct result in this case is the one which satisfies the policy objectives discussed above.

The Commission may wish to give some indication at this time of the structure that it finds reasonable for the calculation of the Federal fund. However, it should not finalize the parameters of the calculation, such as benchmarks and percentages, until it has chosen the cost model and its inputs. For this reason, any estimates any of the parties – including GTE – may provide at this time to illustrate the effects of different fund parameters are just that – illustrations.

C. With Reasonable Cost Estimates, Parameters Can Be Chosen Which Would Meet the Policy Objectives.

The parameters of the sliding scale framework should be chosen to produce support amounts which satisfy the objectives. This will be possible if the cost estimates used are reasonable representations of the cost of providing local service. Illustrated here are examples of such parameter choices. In order to estimate the effect of each set of parameters, GTE has used the BCPM 3.1 and HAI 5.0 models, each run using

the "common" set of inputs specified by the Commission staff.[35] Table 1 shows the effect of alternative parameters.[36] The first plan evaluated is the May 1997 plan. It produces a total amount of Federal support of $1.096 billion, which is much less than the funding need discussed above. The second plan illustrated is the example offered by US West. This is a two-benchmark plan with benchmarks of $30 and $50, with 25% Federal support between the benchmarks. This generates a larger Federal support amount, $ 2.86 billion, but still well below the amount needed. The third plan illustrated uses benchmarks of $25 and $40, with the Federal plan supplying 50% of the support in between the benchmarks. These parameters produce aggregate Federal support of $4.79 billion. Finally, the last plan illustrated in Table 1 adds a third benchmark of $20, and provides 25% of the support between $20 and $25. These parameters lead to a total Federal support amount of $5.77 billion --- not quite enough to replace the implicit support in interstate access today, and certainly not enough to do that *and* provide additional funding to states through Part 36.

The corresponding support amounts estimated by HAI 5.0 are also displayed in Table 1. In order to provide another point of comparison, GTE used HAI 5.0 to estimate the total support that would be required if the plan supported 100% of the cost above a single benchmark of $20. With these parameters, the model estimated support of $6.2

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[35] These support estimates are provided for illustration only. GTE does not endorse the cost estimates used to develop them. For BCPM, the support estimated using the "common" inputs is generally much less than that produced using the default inputs from the model's sponsors. As noted above, these figures will be affected by the Commission's choice of a model platform and inputs.

[36] A more detailed version of these estimates, which show the support provided to nonrural companies in each state, is provided in Attachment A.

billion. Thus, HAI predicts a total amount of support, including support which is generated by state rates today, which is less than the amount currently supplied by interstate access rates alone. This result strongly suggests that HAI is underestimating the cost of local service, and by doing so, also underestimating the flow of universal service support that is being provided today.

Table 1

Benchmarks	Percentage	BCPM 3.1 ($B)	HAI 5.0 ($B)
FCC May 1997 Plan	25%	1,096	943
30/50	25%/100%	2,864	2,467
25/40	50%/100%	4,789	3,850
20/25/40	25%/50%/100%	5,773	4,135

D. The Federal Benchmarks Should Be Characterized As Cost Benchmarks.

The Notice seeks comment as to whether the Federal plan should employ a benchmark based on cost, instead of revenue. GTE believes that reasoned decision-making by the Commission in the selection of benchmarks should involve finding the benchmark values that produce reasonable amounts of support – amounts which satisfy the policy goals outlined above. The benchmarks should not be selected by calculating either an average cost or an average revenue, since there is no reason to expect that either of these values will lead to an amount of support that is reasonable.

However, GTE recommends that, once benchmarks have been selected which do meet the policy goals, they should be characterized as cost benchmarks. The benchmarks would thus represent levels of local service cost at which the Commission would intervene to provide funding from the Federal plan. They would not, and should

not, represent a finding by the Commission that any particular amount of revenue will be available from rates in a given area to support those costs.

The Commission has expressed concern that each state should make a reasonable effort to address the need for universal service support and the elimination of implicit support flows within its own borders. However, some states have misinterpreted the Commission's revenue benchmark as a finding that no support is needed for local service rates, no matter how low those rates are relative to local service costs, so long as an average revenue, including other services, is greater than the benchmark . This approach would allow states to ignore the bulk of the implicit subsidies generated by state rates today. By characterizing the Federal benchmarks simply as cost levels, the Commission could avoid this unintended result, and could encourage states to take effective action to address their own universal service challenges.

E. The Commission Should Also Address the Implicit Support Flows Within Interstate Access.

As discussed above, interstate access currently provides a large flow of implicit support for local service rates. It is equally true, however, that there is a flow of implicit support *within* the current structure of interstate access. The primary cause of this is the averaging of access rates. In particular, SLCs are averaged at the study area level. Thus, a multiline customer in a low-cost, urban area, may pay a SLC of $9, even though that customer may already have fully paid for the cost of its local service in its local rate. This allows a residence customer in a rural area to pay a SLC no higher than $3.50, even though this, when combined with the local rate the customer pays, is much less than the cost of local service in that area. This flow of subsidy within access is not

sustainable in the long run; ILECs, who are the only carriers subject to the Commission's access rules, will not be able to charge SLC rates which, when combined with the customer's local rate, do not reflect the cost of service. Thus the deaveraging of access rates, and especially of SLCs, is perhaps the most important access reform issue facing the Commission.

If SLCs are deaveraged, without adequate universal service support, then the SLCs paid by some customers, particularly those in high cost areas, will increase. GTE recognizes the Commission's concern that SLCs that are too high could endanger the affordability of local service. However, if the Commission wishes to maintain SLCs at an "affordable" level in areas where they would otherwise be higher, then this is a universal service issue, and it should be addressed by universal service mechanisms. Support to maintain affordable SLC rates should be explicit, and should be funded by a competitively neutral mechanism to which all carriers contribute; it should not be funded by setting SLCs that are too high for ILEC customers in other areas.

GTE's $6.3 billion estimate of the implicit support provided by interstate access does not include this flow of subsidy among customers through the SLCs that they pay; SLC revenue was not included in the calculation. Thus, when the Commission considers the overall need for Federal universal service support, it should also consider the implicit transfers within its own access structure, and recognize that if it wishes to maintain this support flow, this will represent another call on the resources of its Federal universal service mechanisms.

V. THE FEDERAL PLAN SHOULD BE BASED ON BOTH STATE AND INTERSTATE REVENUE.

The Commission seeks comment on the appropriate method and revenues to recover contributions for high cost support. GTE recommends that any new compromise between the responsibilities of the Federal plan and those of state plans should include a change in the funding base. All of these plans should use as their funding base the combined state and federal retail revenues. When the Joint Board made its recommendation to the Commission in November, 1996, it proposed that the Federal plan should be based on both state and federal revenues. This approach is appropriate for a number of reasons.

First, interstate rates today supply a disproportionate share of the implicit support in the system today. The interstate jurisdiction as a whole thus suffers from the same problem as one of the high-need, low revenue states discussed above: it does not have a funding base sufficient to generate explicit funding sufficient to eliminate the implicit support that is being generated today. Put another way, a Federal plan which met the first criterion listed above, and which had only interstate revenue as a base, would require a very high percentage rate of contribution to fund it. Such a fund would certainly not be able to raise enough additional funding to meet the needs of high-cost, low-revenue states, in order to meet the second criterion.

Second, it will become increasingly difficult to distinguish between state and interstate revenue. The development of new, hybrid services will only add to this difficulty. For new entrants and wireless carriers, which do not report the jurisdictional nature of their business today, the implementation of methods for doing so will be burdensome. For ILECs, who do have reporting systems in place, this is also an issue

of competitive neutrality, since it is unlikely that any new reporting procedures for their competitors will be as rigorous as those currently applied to the ILECs. If the same base of total revenue could be used for the Federal plan, as well as for state plans, the need to distinguish revenue by jurisdiction will be eliminated.[37]

Third, the introduction of competition mandated by the Act and the universal service goals set out by the Act are national mandates and national goals shared by states and the Federal government. It is appropriate that Federal universal service support be applied to both state and interstate revenue sources.

Finally, the use of total state and interstate revenue as the funding base will allow the largest possible base for funding, and thus the lowest possible contribution rate. For example, even the largest of the Federal plans illustrated in Table 1 could be funded by a surcharge of about 3%. Contributions at this level are unlikely to significantly distort either carrier's competitive decisions, or customers' choices. Certainly, this explicit, uniform surcharge would be much less distorting than the current system, which creates implicit "surcharges" in the form of contribution built into rates for access, toll, and vertical services, of several hundred percent.

VI. CONCLUSION.

In order to quantify the correct amount of the Federal fund and to direct adequate support among the states, particularly those with high costs and/or low revenues, GTE proposes that the Commission establish a sliding scale of benchmarks and percentages for Federal universal service high cost support.

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[37] Of course, a state would have to identify traffic originating or terminating within its borders.

The levels of benchmarks and percentages cannot be decided until after the Commission has 1) selected a cost model and 2) established inputs to assure that the policy objectives of the Federal plan are satisfied. The benchmarks should be characterized as cost benchmarks that represent local service cost levels, not as revenue benchmarks that implicitly assume a particular amount of revenue from non-supported services. These recommendations would encourage states to address their own unique universal service challenges consistent with the Federal plan.

Most important, regardless of the ultimate implementation mechanisms adopted, the Federal plan must: 1) provide sufficient support to replace the implicit universal service support that is generated today in federal access charges; 2) recognize that interstate access charge reductions are limited to the level of Federal universal service support; and, 3) maintain the support that is provided to the states by the current high cost fund.

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Respectfully submitted,

GTE Service Corporation and its affiliated domestic telephone operating, wireless, and long distance companies

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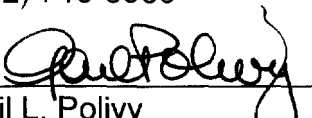
By 

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Benchmarks	Percentage	BCPM 3.1	HAI 5.0	
FCC May 1997 Plan	25%	1,096		943
30/50	25%/100%	2,864		2,467
25/40	50%/100%	4,789		3,850
20/25/40	25%/50%/100%	5,773		4,135

Federal High-Cost Universal Service Support Requirement - Results Comparison

State	Plan A: FCC Plan (25% Above Res 31 Bus 51) BCPM 3.1		Plan B: FCC Plan (25% Above Res 31 Bus 51) HAI 5.0		Comparisons	
	Amount	Percent of Total	Amount	Percent of Total	Difference (A - B)	Percentage Diff.: (A-B)/(B)
AK	135,911	0.01%	803,193	0.09%	(667,282)	-83%
AL	35,637,104	3.25%	35,583,355	3.77%	53,749	0%
AR	17,201,890	1.57%	12,759,121	1.35%	4,442,770	35%
AZ	19,525,589	1.78%	11,550,605	1.22%	7,974,985	69%
CA	56,304,698	5.14%	31,940,328	3.39%	24,364,370	76%
CO	21,032,522	1.92%	19,864,855	2.11%	1,167,667	6%
CT	2,837,441	0.26%	2,636,894	0.28%	200,547	8%
DC	-	0.00%	6,460	0.00%	(6,460)	-100%
DE	1,569,616	0.14%	1,254,133	0.13%	315,483	25%
FL	23,493,017	2.14%	21,572,373	2.29%	1,920,644	9%
GA	28,081,946	2.56%	25,319,102	2.68%	2,762,844	11%
HI	2,103,850	0.19%	3,912,337	0.41%	(1,808,487)	-46%
IA	11,501,594	1.05%	9,158,315	0.97%	2,343,279	26%
ID	15,382,259	1.40%	10,953,729	1.16%	4,428,530	40%
IL	40,404,381	3.69%	30,402,577	3.22%	10,001,803	33%
IN	29,907,770	2.73%	21,880,991	2.32%	8,026,779	37%
KS	21,559,946	1.97%	16,818,330	1.78%	4,741,617	28%
KY	27,041,476	2.47%	21,024,567	2.23%	6,016,909	29%
LA	23,373,975	2.13%	20,056,184	2.13%	3,317,791	17%
MA	3,576,817	0.33%	3,249,865	0.34%	326,952	10%
MD	6,545,288	0.60%	7,924,995	0.84%	(1,379,707)	-17%
ME	10,962,776	1.00%	10,430,308	1.11%	532,468	5%
MI	36,522,920	3.33%	22,912,156	2.43%	13,610,764	59%
MN	34,673,805	3.16%	33,759,701	3.58%	914,105	3%
MO	49,053,726	4.47%	48,244,476	5.12%	809,250	2%
MS	37,239,689	3.40%	38,047,250	4.03%	(807,561)	-2%
MT	13,228,057	1.21%	8,271,377	0.88%	4,956,680	60%
NC	36,230,471	3.30%	44,222,428	4.69%	(7,991,958)	-18%
ND	7,661,169	0.70%	5,693,999	0.60%	1,967,170	35%
NE	20,400,020	1.86%	21,847,316	2.32%	(1,447,297)	-7%
NH	6,018,687	0.55%	6,100,303	0.65%	(81,616)	-1%
NJ	1,895,206	0.17%	1,857,074	0.20%	38,133	2%
NM	12,832,902	1.17%	10,436,490	1.11%	2,396,413	23%
NV	6,252,333	0.57%	7,599,905	0.81%	(1,347,572)	-18%
NY	23,648,798	2.16%	30,124,165	3.19%	(6,475,367)	-21%
OH	38,013,777	3.47%	26,793,732	2.84%	11,220,045	42%
OK	27,261,270	2.49%	25,423,351	2.70%	1,837,918	7%
OR	11,135,001	1.02%	12,260,423	1.30%	(1,125,423)	-9%
PA	31,681,341	2.89%	30,223,948	3.20%	1,457,393	5%
PR	1,069,207	0.10%	4,978,364	0.53%	(3,909,156)	-79%
RI	620,141	0.06%	335,598	0.04%	284,543	85%
SC	13,903,861	1.27%	10,578,504	1.12%	3,325,357	31%
SD	9,463,926	0.86%	6,843,774	0.73%	2,620,153	38%
TN	25,225,201	2.30%	23,158,941	2.46%	2,066,260	9%
TX	123,287,403	11.25%	94,034,081	9.97%	29,253,322	31%
UT	4,793,524	0.44%	5,155,460	0.55%	(361,937)	-7%
VA	34,281,891	3.13%	34,104,719	3.62%	177,173	1%
VT	6,207,254	0.57%	6,094,831	0.65%	112,423	2%
WA	29,083,387	2.65%	20,452,179	2.17%	8,631,209	42%
WI	25,386,172	2.32%	15,979,677	1.69%	9,406,495	59%
WV	19,230,835	1.75%	19,089,998	2.02%	140,837	1%
WY	11,759,619	1.07%	9,414,197	1.00%	2,345,423	25%
Grand Total	1,096,241,452	100.00%	943,141,026	100.00%	153,100,427	16%

Federal High-Cost Universal Service Support Requirement - Results Comparison

	Plan A: Custom Plan BCPM 3.1 Benchmarks: 30/30/50 Federal Funding (%): 25/25/100 Res Bmark Differs From Rus Bmrk		Plan B: Custom Plan HAI 5.0 Benchmarks: 30/30/50 Federal Funding (%): 25/25/100 Res Bmark Differs From Rus Bmrk		Comparisons	
State	Amount	Percent of Total	Amount	Percent of Total	Difference (A - B)	Percentage Diff.: (A-B)/(B)
AK	436,321	0.02%	3,003,307	0.12%	(2,566,987)	-85%
AL	82,516,299	2.88%	90,650,497	3.67%	(8,134,198)	-9%
AR	45,958,504	1.60%	35,790,750	1.45%	10,167,754	28%
AZ	61,083,627	2.13%	35,099,388	1.42%	25,984,239	74%
CA	167,395,897	5.84%	90,071,329	3.65%	77,324,568	86%
CO	64,022,976	2.24%	61,374,375	2.49%	2,648,601	4%
CT	4,035,828	0.14%	3,731,859	0.15%	303,969	8%
DC	9	0.00%	11,635	0.00%	(11,627)	-100%
DE	2,114,331	0.07%	1,803,012	0.07%	311,319	17%
FL	53,903,946	1.88%	53,935,363	2.19%	(31,417)	0%
GA	62,480,216	2.18%	62,179,958	2.52%	300,258	0%
HI	4,853,135	0.17%	10,208,890	0.41%	(5,355,755)	-52%
IA	33,673,222	1.18%	26,577,687	1.08%	7,095,535	27%
ID	48,878,745	1.71%	32,107,638	1.30%	16,771,108	52%
IL	108,765,123	3.80%	77,935,969	3.16%	30,829,154	40%
IN	63,591,854	2.22%	45,900,616	1.86%	17,691,238	39%
KS	72,760,416	2.54%	54,981,585	2.23%	17,778,830	32%
KY	59,874,290	2.09%	46,036,548	1.87%	13,837,742	30%
LA	57,748,277	2.02%	51,532,032	2.09%	6,216,245	12%
MA	6,811,615	0.24%	6,416,077	0.26%	395,538	6%
MD	11,395,918	0.40%	14,751,931	0.60%	(3,356,012)	-23%
ME	26,764,566	0.93%	25,099,285	1.02%	1,665,280	7%
MI	81,934,999	2.86%	48,976,074	1.99%	32,958,925	67%
MN	104,474,993	3.65%	100,325,075	4.07%	4,149,918	4%
MO	135,698,318	4.74%	136,633,543	5.54%	(935,225)	-1%
MS	97,649,954	3.41%	105,965,359	4.29%	(8,315,404)	-8%
MT	45,524,176	1.59%	26,912,234	1.09%	18,611,942	69%
NC	64,943,366	2.27%	96,250,625	3.90%	(31,307,259)	-33%
ND	26,786,037	0.94%	19,743,055	0.80%	7,042,982	36%
NE	69,334,001	2.42%	73,392,180	2.97%	(4,058,179)	-6%
NH	13,340,113	0.47%	13,757,081	0.56%	(416,968)	-3%
NJ	2,984,006	0.10%	2,986,960	0.12%	(2,953)	0%
NM	39,792,279	1.39%	32,632,487	1.32%	7,159,793	22%
NV	21,260,701	0.74%	26,740,174	1.08%	(5,479,473)	-20%
NY	47,922,282	1.67%	70,508,529	2.86%	(22,586,247)	-32%
OH	74,558,269	2.60%	50,820,900	2.06%	23,737,369	47%
OK	77,344,435	2.70%	73,371,886	2.97%	3,972,548	5%
OR	32,049,797	1.12%	33,348,945	1.35%	(1,299,148)	-4%
PA	61,903,028	2.16%	60,974,244	2.47%	928,784	2%
PR	1,297,696	0.05%	7,573,693	0.31%	(6,275,997)	-83%
RI	835,063	0.03%	448,800	0.02%	386,263	86%
SC	27,659,431	0.97%	22,908,921	0.93%	4,750,510	21%
SD	33,374,120	1.17%	23,361,483	0.95%	10,012,638	43%
TN	48,985,549	1.71%	49,959,949	2.02%	(974,401)	-2%
TX	372,577,147	13.01%	276,413,387	11.20%	96,163,760	35%
UT	13,566,774	0.47%	15,591,931	0.63%	(2,025,158)	-13%
VA	70,706,062	2.47%	75,458,939	3.06%	(4,752,877)	-6%
VT	14,102,535	0.49%	13,702,387	0.56%	400,148	3%
WA	90,473,447	3.16%	61,362,613	2.49%	29,110,834	47%
WI	65,072,118	2.27%	36,887,967	1.50%	28,184,151	76%
WV	45,967,276	1.61%	47,306,056	1.92%	(1,338,780)	-3%
WY	42,814,955	1.49%	33,718,474	1.37%	9,096,482	27%
Grand Total	2,863,998,043	100.00%	2,467,233,683	100.00%	396,764,360	16%

Federal High-Cost Universal Service Support Requirement - Results Comparison

	Plan A: Custom Plan BCPM 3.1 Benchmarks: 25/25/40 Federal Funding (%): 50/50/100 Res Bmark Differs From Rus Bmrk		Plan B: Custom Plan HAI 5.0 Benchmarks: 25/25/40 Federal Funding (%): 50/50/100 Res Bmark Differs From Rus Bmrk		Comparisons	
State	Amount	Percent of Total	Amount	Percent of Total	Difference (A - B)	Percentage Diff.: (A-B)/(B)
AK	877,752	0.02%	3,229,078	0.08%	(2,351,326)	-73%
AL	149,923,130	3.13%	139,988,968	3.64%	9,934,162	7%
AR	73,648,268	1.54%	50,698,183	1.32%	22,950,085	45%
AZ	86,840,322	1.81%	46,384,009	1.20%	40,456,313	87%
CA	257,999,323	5.39%	129,257,827	3.36%	128,741,496	100%
CO	94,534,718	1.97%	79,973,417	2.08%	14,561,301	18%
CT	19,901,890	0.42%	12,333,898	0.32%	7,567,992	61%
DC	17,821	0.00%	365,592	0.01%	(347,770)	-95%
DE	7,253,131	0.15%	5,188,432	0.13%	2,064,698	40%
FL	119,856,113	2.50%	88,855,110	2.31%	31,001,003	35%
GA	127,325,148	2.66%	100,642,746	2.61%	26,682,402	27%
HI	11,428,709	0.24%	15,408,676	0.40%	(3,979,966)	-26%
IA	50,855,320	1.06%	36,311,362	0.94%	14,543,958	40%
ID	65,074,431	1.36%	43,426,404	1.13%	21,648,027	50%
IL	173,595,578	3.62%	120,470,995	3.13%	53,124,583	44%
IN	128,839,886	2.69%	86,443,350	2.25%	42,396,536	49%
KS	92,222,381	1.93%	67,142,453	1.74%	25,079,908	37%
KY	111,049,836	2.32%	82,453,151	2.14%	28,596,685	35%
LA	100,779,710	2.10%	79,415,198	2.06%	21,364,512	27%
MA	23,425,580	0.49%	15,035,456	0.39%	8,390,124	56%
MD	34,204,197	0.71%	32,160,445	0.84%	2,043,752	6%
ME	46,119,470	0.96%	41,012,665	1.07%	5,106,805	12%
MI	162,085,911	3.38%	94,142,073	2.45%	67,943,839	72%
MN	144,531,981	3.02%	132,813,811	3.45%	11,718,170	9%
MO	199,360,006	4.16%	189,843,784	4.93%	9,516,223	5%
MS	153,849,396	3.21%	148,629,028	3.86%	5,220,368	4%
MT	55,673,842	1.16%	32,885,632	0.85%	22,788,210	69%
NC	160,722,300	3.36%	176,174,451	4.58%	(15,452,151)	-9%
ND	31,343,002	0.65%	22,663,189	0.59%	8,679,813	38%
NE	84,744,254	1.77%	86,625,864	2.25%	(1,881,610)	-2%
NH	27,375,300	0.57%	24,267,572	0.63%	3,107,728	13%
NJ	15,718,564	0.33%	9,511,164	0.25%	6,207,400	65%
NM	54,739,282	1.14%	41,368,728	1.07%	13,370,554	32%
NV	26,503,557	0.55%	30,488,563	0.79%	(3,985,005)	-13%
NY	108,565,920	2.27%	122,241,255	3.17%	(13,675,335)	-11%
OH	168,347,229	3.52%	108,825,465	2.83%	59,521,764	55%
OK	114,964,408	2.40%	100,028,727	2.60%	14,935,681	15%
OR	47,933,842	1.00%	133,666,235	3.47%	(85,732,392)	-64%
PA	144,813,144	3.02%	122,117,117	3.17%	22,696,027	19%
PR	11,210,903	0.23%	27,961,623	0.73%	(16,750,721)	-60%
RI	4,728,377	0.10%	1,703,759	0.04%	3,024,617	178%
SC	62,977,795	1.31%	42,701,900	1.11%	20,275,895	47%
SD	39,504,479	0.82%	27,210,828	0.71%	12,293,651	45%
TN	109,242,079	2.28%	91,328,223	2.37%	17,913,856	20%
TX	524,238,438	10.95%	371,028,671	9.64%	153,209,767	41%
UT	21,846,001	0.46%	20,667,166	0.54%	1,178,834	6%
VA	144,868,829	3.02%	132,625,788	3.44%	12,243,041	9%
VT	26,962,853	0.56%	23,523,498	0.61%	3,439,355	15%
WA	127,411,041	2.66%	82,693,697	2.15%	44,717,344	54%
WI	110,841,196	2.31%	63,933,301	1.66%	46,907,895	73%
WV	79,068,578	1.65%	74,799,356	1.94%	4,269,222	6%
WY	49,374,034	1.03%	37,539,803	0.98%	11,834,231	32%
Grand Total	4,789,319,238	100.00%	3,850,207,685	100.00%	939,111,553	24%

Federal High-Cost Universal Service Support Requirement - Results Comparison

	Plan A: Custom Plan BCPM 3.1 Benchmarks: 20/25/40 Federal Funding (%): 25/50/100 Res Bmark Differs From Rus Bmrk		Plan B: Custom Plan HAI 5.0 Benchmarks: 20/25/40 Federal Funding (%): 25/50/100 Res Bmark Differs From Rus Bmrk		Comparisons	
State	Amount	Percent of Total	Amount	Percent of Total	Difference (A - B)	Percentage Diff.: (A-B)/(B)
AK	1,693,301	0.03%	3,446,817	0.08%	(1,753,516)	-51%
AL	170,441,314	2.95%	149,636,747	3.62%	20,804,567	14%
AR	82,275,285	1.43%	53,778,599	1.30%	28,496,685	53%
AZ	104,266,183	1.81%	50,042,231	1.21%	54,223,952	108%
CA	340,597,543	5.90%	141,017,315	3.41%	199,580,228	142%
CO	111,986,187	1.94%	85,836,008	2.08%	26,150,178	30%
CT	33,424,314	0.58%	17,709,485	0.43%	15,714,830	89%
DC	227,073	0.00%	963,173	0.02%	(736,100)	-76%
DE	10,457,032	0.18%	6,219,244	0.15%	4,237,788	68%
FL	185,318,879	3.21%	101,290,064	2.45%	84,028,814	83%
GA	159,805,872	2.77%	110,137,473	2.66%	49,668,199	45%
HI	15,525,500	0.27%	16,855,244	0.41%	(1,329,744)	-8%
IA	59,241,160	1.03%	38,279,679	0.93%	20,961,481	55%
ID	70,094,437	1.21%	45,480,365	1.10%	24,614,072	54%
IL	213,712,475	3.70%	131,659,289	3.18%	82,053,186	62%
IN	154,940,768	2.68%	94,879,164	2.29%	60,061,603	63%
KS	102,560,079	1.78%	69,790,018	1.69%	32,770,060	47%
KY	124,890,893	2.16%	89,357,730	2.16%	35,533,163	40%
LA	118,931,638	2.06%	85,477,188	2.07%	33,454,450	39%
MA	42,653,264	0.74%	20,879,072	0.50%	21,774,192	104%
MD	51,328,265	0.89%	37,659,120	0.91%	13,669,146	36%
ME	51,648,298	0.89%	44,215,752	1.07%	7,432,546	17%
MI	203,535,006	3.53%	105,860,304	2.56%	97,674,702	92%
MN	161,494,407	2.80%	138,962,705	3.36%	22,531,702	16%
MO	222,907,206	3.86%	199,298,516	4.82%	23,608,690	12%
MS	166,382,416	2.88%	155,224,738	3.75%	11,157,678	7%
MT	58,908,482	1.02%	33,952,727	0.82%	24,955,755	74%
NC	197,255,741	3.42%	194,019,603	4.69%	3,236,138	2%
ND	33,176,019	0.57%	23,135,570	0.56%	10,040,448	43%
NE	90,982,267	1.58%	89,486,396	2.16%	1,495,871	2%
NH	32,986,917	0.57%	26,725,286	0.65%	6,261,631	23%
NJ	36,228,915	0.63%	14,517,771	0.35%	21,711,144	150%
NM	61,108,351	1.06%	43,362,956	1.05%	17,745,395	41%
NV	30,630,492	0.53%	31,518,974	0.76%	(888,482)	-3%
NY	149,218,671	2.58%	144,704,897	3.50%	4,513,774	3%
OH	213,707,161	3.70%	124,792,493	3.02%	88,914,668	71%
OK	129,346,537	2.24%	105,269,493	2.55%	24,077,044	23%
OR	57,148,204	0.99%	95,241,216	2.30%	(38,093,012)	-40%
PA	187,577,601	3.25%	138,885,778	3.36%	48,691,823	35%
PR	21,384,836	0.37%	39,528,996	0.96%	(18,144,160)	-46%
RI	9,235,045	0.16%	2,490,500	0.06%	6,744,544	271%
SC	77,171,649	1.34%	47,928,162	1.16%	29,243,487	61%
SD	41,831,966	0.72%	27,934,412	0.68%	13,897,553	50%
TN	133,122,285	2.31%	100,481,725	2.43%	32,640,561	32%
TX	603,199,208	10.45%	390,071,806	9.43%	213,127,402	55%
UT	28,741,302	0.50%	22,245,602	0.54%	6,495,700	29%
VA	173,162,433	3.00%	142,835,133	3.45%	30,327,300	21%
VT	29,845,610	0.52%	25,189,633	0.61%	4,655,977	18%
WA	148,621,003	2.57%	88,743,632	2.15%	59,877,371	67%
WI	129,419,500	2.24%	69,597,573	1.68%	59,821,927	86%
WV	86,894,937	1.51%	79,640,457	1.93%	7,254,480	9%
WY	51,610,616	0.89%	38,306,247	0.93%	13,304,369	35%
Grand Total	5,772,854,343	100.00%	4,134,563,080	100.00%	1,638,291,262	40%

Certificate of Service

I, Judy R. Quinlan, hereby certify that copies of the foregoing "Proposal of GTE" have been mailed by first class United States mail, postage prepaid, on April 27, 1998 to all parties of record.

Judy R. Quinlan